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EXPANDING ACCESS TO MICROFINANCE

MICROENTERPRISE ACCESS TO BANKING SERVICES
(MABS) PROGRAM PHASE 3 FINAL REPORT



MAY 2008

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**MICROENTERPRISE ACCESS TO BANKING SERVICES
(MABS) PROGRAM PHASE 3 FINAL REPORT**

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On the cover: Over 10 years, more than 450,000 rural and urban microentrepreneurs in the Philippines benefited from the MABS program to engage rural banks in serving the microfinance sector.

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EXECUTIVE SUMMARY

In 1997, USAID launched a program to reduce poverty in Mindanao, the southernmost of the Philippines' three main regions and home to some of its poorest people. The strategy was to convince banks to make loans and other financial services available to microenterprises — very small businesses owned and operated by the enterprising poor.

At the time, banks were reluctant to lend to small borrowers, perceiving them as too risky and expensive to serve. A few nongovernmental organizations (NGOs) were lending to the poor, but without the ability to mobilize deposits, their reach was limited to a small percentage of the population. With no other option, many of the poor turned to moneylenders who charged exorbitant interest rates, driving their clients deeper into poverty.

Over 10 years and three contract extensions, USAID's program — Microenterprise Access to Banking Services, or MABS — achieved outstanding results without providing a single dollar of loan funds or loan guarantees to participating banks, all of which funded their own microlending and bore 100 percent of the risk. MABS shattered the myth that lending to the poor is risky and unrewarding, with 95 percent of participating banks turning a profit within 18 months of initiating microfinance operations.

MABS introduced sophisticated market research, product development, and portfolio management techniques and tools that improved the banks' performance not just in microfinance, but in other operations as well. It created a network of highly skilled consultants and trainers to serve the needs of an ever-growing market of private banks interested in offering and expanding microfinance services. MABS' innovative, ahead-of-the-curve development of mobile phone banking applications enabled banks to reach clients in remote areas, reduce transaction costs, and improve security.

Best of all, MABS expanded the reach and range of banking services to the poor and fostered a culture of saving among clients for whom even a small nest egg can make a big difference. As of December 2007, 358 participating banks had disbursed more than 1.4 million loans totaling more than 16.4 billion pesos (\$410 million) and had mobilized microsavings account

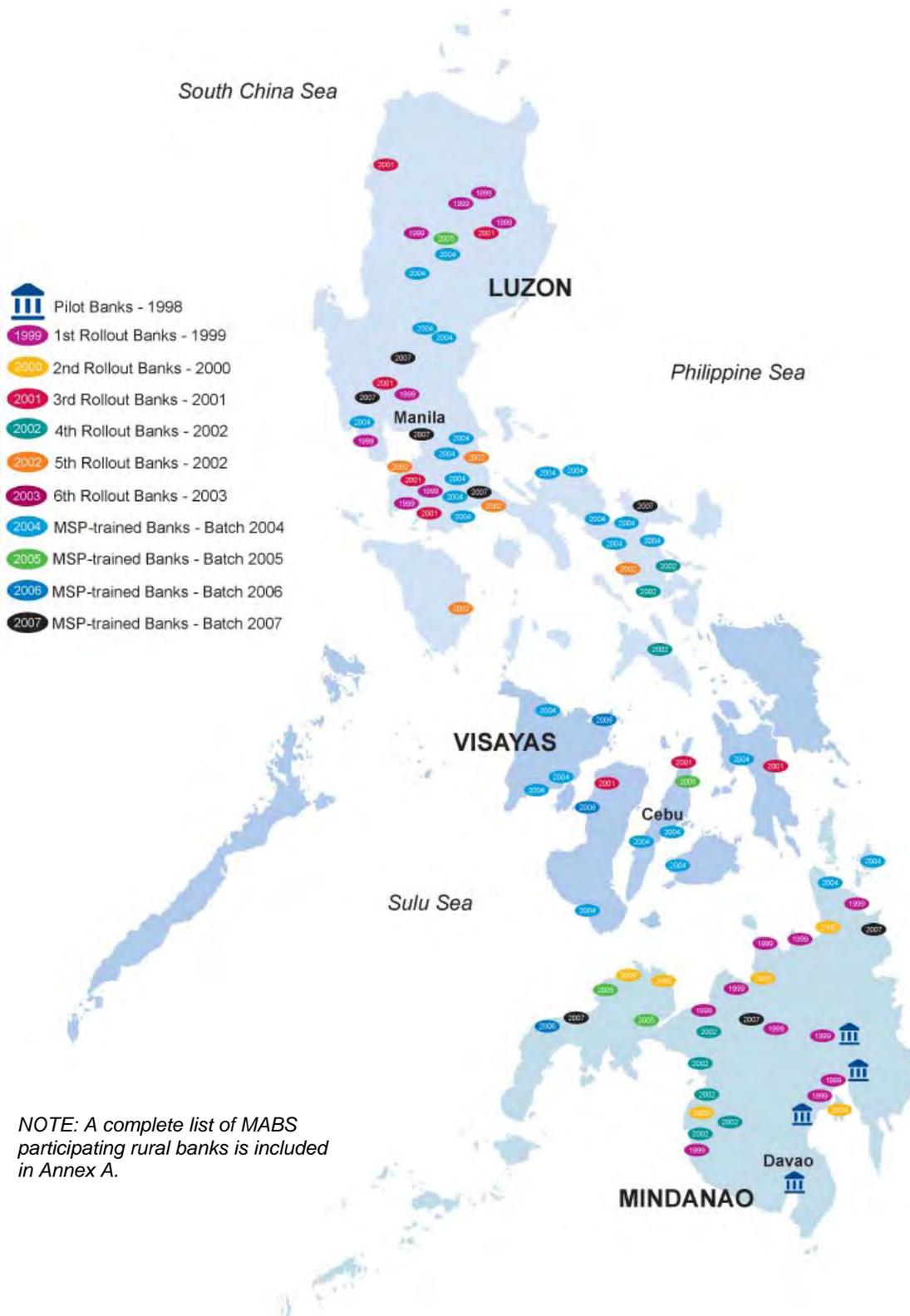
balances of more than 1.6 billion pesos (\$40 million) in 1.2 million accounts. Most banks were able to generate all the funds needed for lending by mobilizing deposits.

The USAID MABS program's accomplishments (1997-2007) are highlighted in the pages that follow. Chapter 1 describes the situation USAID sought to address through the MABS program. Chapter 2 summarizes the seven-step *MABS Approach* to microfinance. Chapter 3 details how the program helped foster an enabling policy environment for

ONE MILLION AND COUNTING

In a special ceremony in June 2007, MABS recognized Erlinda Quinones as the borrower of the one-millionth microloan provided by MABS participating banks. Her loan helped finance Erlinda's slipper distribution business, as well as her husband Lamberto's rice field and fish pen. They were also able to set aside money for emergencies.

Head Offices, Philippines MABS Participating Rural Banks



microfinance growth. Chapter 4 tells the story of how MABS caught and rode the technology wave. Chapter 5 recounts how the program achieved sustainability through training and outreach. Chapter 6 highlights 10 years of achievement under MABS. The final chapter offers some ideas for the future development of microfinance and other products that can earn profits for banks and bring benefits to the enterprising poor in the Philippines.

USAID’s principal partners for MABS were the Rural Bankers Association of the Philippines (RBAP) and the Mindanao Economic Development Council (MEDCo), the government counterpart. Program implementation was managed by the main contractor, Chemonics International.

PROGRAM IMPACT, 1998-2007							
Year	Number of participating bank units	Cumulative number of new microloan clients	Cumulative number of loans disbursed	Cumulative amount of loans disbursed (in millions of pesos)	Outstanding microloan portfolio (in millions of pesos)	Number of active micro-depositors	Amount of micro-deposit balance (in millions of pesos)
1998	4	447	85	0.5	0.3	482	0.1
1999	14	4,188	4,228	26	7	11,601	12
2000	42	14,255	25,383	197	53	197,146	171
2001	75	37,615	96,336	842	129	349,459	336
2002	104	75,164	199,226	1,939	225	482,488	541
2003	117	111,302	314,284	3,298	317	523,713	567
2004	204	173,841	485,908	5,317	525	771,799	1,002
2005	264	244,986	694,529	8,206	632	835,469	1,105
2006	320	332,447	949,162	11,431	921	1,170,669	1,578
2007	358	457,144	1,403,014	16,454	1,468	1,280,994	1,688

SUCCESS STORY

Banking on a Dream

A rural bank uses the *MABS Approach* to go nationwide



Green Bank's strategy for growth includes establishing anchor branches in underserved areas and encouraging savings deposits.

Since 2002, Green Bank has grown from a six-branch microfinance-oriented bank to a network of 41 branches across the Philippines disbursing more than \$63 million in microloans.

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In 2000, Ismael Andaya, president of Green Bank, had a dream. He aspired to generate 1 billion pesos (\$25 million) in assets and make Green Bank the first rural bank with nationwide outreach. Today, Green Bank had realized Mr. Andaya's dream.

In 2000, Green Bank joined the MABS program to support a key growth strategy: providing banking services to the huge, but underserved, microenterprise market. From just two branches offering microfinance products in 2000, Green Bank now has a centralized Microfinance Unit at its Butuan City head office, overseeing operations in 41 branches spanning Luzon, Mindanao, and Visayas.

In less than eight years, Green Bank disbursed some 207,000 microloans totaling more than 2.5 billion pesos (\$63 million). In December 2007, Green Bank had more than 34,200 active clients.

How did a small rural bank grow so quickly? Green Bank credits two factors: a microfinance-friendly policy environment that facilitated the bank's entry into new regions, and the systematic *MABS Approach*.

Using market research techniques learned from MABS, the bank targets underserved urban and semiurban areas and establishes an anchor branch. Microfinance products are among the first services to be offered. The bank gains a foothold in the business community and encourages savings through a diverse array of deposit products.

As the microfinance portfolio expands and the branch increases its asset base through deposits, bank staff scout out adjacent towns and establish new satellite offices, forming a regional cluster.

In less than 12 years, Green Bank achieved its goal of becoming the first rural bank with nationwide coverage. As the bank steers toward new and larger markets, microfinance best practices continue to guide its course.

CHAPTER 1: NEW CLIENTS FOR RURAL BANKS

When the MABS program began in 1997, more than one-third of the nation's 65 million population fell below the national poverty line. In Mindanao — one of the country's three main regions and home to one-fourth of its people, including some of the poorest — an estimated 41 percent of households relied on income from microenterprises. Typical microentrepreneurs in the Philippines include food producers and vendors, bakeries, handicraft makers, personal service providers, local transporters, and small shopkeepers. Thousands of families depended on the income of not one, but two or more micro activities.

MICROENTERPRISE DEFINED

USAID defines a **microenterprise** as a business owned and operated by a poor or low-income household and employing 10 or fewer people.

THE UNMET NEED

Despite the large market, microentrepreneurs were not being served by the formal financial sector. In the late 1990s, fewer than 1 million microentrepreneurs obtained credit from banks or other regulated financial institutions. Only 13 percent of the country's banking institutions were operating in Mindanao in 1994, and their combined assets totaled only 6 percent of the total assets of the entire banking system. The prevalent belief among bankers at the time was that lending to low-income households lacking collateral was risky and expensive. As commercial enterprises answerable to shareholders, they were reluctant to risk investing in the microenterprise sector on a large scale without the guarantee of a reasonable profit. Also, many banks were reluctant to invest in Mindanao due to perceptions about the region's stability.

To finance their businesses, microentrepreneurs relied on their own savings or the help of relatives. When these sources were insufficient or ran dry, microentrepreneurs turned to “five-sixers” — moneylenders — for credit. Borrowing from moneylenders is fast, reliable, and easy; they deliver loans to a borrower's doorstep and pick up payments daily. Though this form of borrowing is convenient, it is also costly. Informal moneylenders demand interest rates as high as 25 percent per month. For example, on a loan of 10,000 pesos (\$250), a moneylender may deduct 2,000 pesos (\$50) up front from the loan proceeds as an interest payment for a 30-day loan. Microentrepreneurs forced to bear the cost of informal credit often found themselves trapped in a cycle of debt, preventing them from saving or investing enough to grow their businesses.

WHAT ARE FIVE-SIXERS?

The term “five-sixer” derives from an old practice of lending five pesos at sunrise and charging a repayment of six pesos at sunset. Today, the term is still widely used to describe informal lenders.

A CHANGING SCENARIO

In 1952, the Philippine government issued the Philippine Rural Banking Act, which encouraged private investors to establish a network of rural banks to serve the credit

needs of small farmers and merchants. The government also initiated direct credit programs in rural areas, often channeled through rural banks. Nor surprisingly, many banks suffered from high default rates, insolvent lending programs, overdependence on external credit funds, and limited savings mobilization. These programs and policies, combined with a national economic crisis in the late 1970s and early 1980s, led to the closure of more than 250 rural banks. Starting in the late 1980s, the policy environment improved and the Philippine banking system stabilized.

During the 1980s and 1990s, successful development of commercial microfinance institutions in countries throughout the world demonstrated that formal financial systems could provide savings and credit services to economically active, low-income individuals and make them full participants in their country's social and economic development. In the mid-1990s, the Philippine government laid the groundwork for promoting microfinance as an instrument for poverty reduction and economic growth.

The National Strategy for Microfinance, enacted in 1997, advocated a market-oriented approach and emphasized the role of the private sector. Shortly thereafter, the government prohibited direct credit programs, and rural banks began to recover from a supply-led credit regime. Nongovernmental organizations (NGOs) emerged in the 1980s and 1990s to provide credit to markets neglected by the formal sector, but their outreach was limited. By 1998, the client base of NGOs was only 2 percent of all microentrepreneurs. Reliance on limited donor funding and their inability to mobilize deposits hampered the growth of NGO operations.

INITIATION OF THE MABS PROGRAM

Given their structure and broad coverage in the late 1990s — 800 banks with more than 1,800 branches, covering 85 percent of all municipalities throughout the Philippines — rural and cooperative banks were uniquely positioned to serve the untapped microenterprise market. Rural banks accept small deposits and offer competitive interest rates on loan and savings products. Typically small and family owned, rural banks are often actively involved in the local economy, and rural bankers often have personal relationships with clients.

MICROFINANCE DEFINED

Microfinance is an economic development approach intended to benefit low-income groups through the provision of a broad range of financial services, including credit, savings, remittances, money transfers, and insurance.

Recognizing the rural banking system's potential, USAID teamed up with the Rural Bankers Association of the Philippines to initiate the Microenterprise Access to Banking Services (MABS) program. The objective was to encourage rural banks to make microfinance services one of the core lines of business by demonstrating that providing credit and deposit services to microenterprises and low-income households can be done profitably.

With this objective in mind, the MABS team developed and refined a technology to develop and implement microfinance services within a bank using a standard, step-by-step guide to product design, development, and implementation known as the *MABS Approach*, described in the following chapter.

SUCCESS STORY

Frontier Bank, Town Grow Together

Microfinance is a major segment of 1st Valley Bank's portfolio



PHOTO: 1ST VALLEY BANK

The residents of Mindanao are now served by 16 branches of 1st Valley Bank, which began with a single branch in Baroy in 1956.

The bank helps alleviate poverty by encouraging the people it has long served to become micro-depositors and borrowers.

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1st Valley Bank was founded in 1956 in Baroy, then a frontier municipality in Lanao del Norte province of northern Mindanao. The bank quickly became part of the new community being established. Since then, 1st Valley has grown with its hometown and beyond, opening its 16th branch in Zamboanga City in 2007. 1st Valley Bank is now the largest rural bank in northwestern Mindanao in terms of assets and the third largest in terms of assets, loans, and capital.

Driven by a desire to mobilize deposits from small savers and tap a large microenterprise market, 1st Valley Bank joined the MABS program in 1999. The bank quickly established a Microfinance Unit, adopted the *MABS Approach*, and began lending operations.

The bank grew from six branches and 260 million pesos (\$6.5 million) in total resources in 1999 to 16 branches and 2.04 billion pesos (\$50 million) in total resources in December 2007.

Microfinance is a significant segment of 1st Valley's portfolio. "Our microfinance services allow us to play an active role in poverty alleviation without sacrificing our profit motive," said Nicolas S. Lim, bank president. "We are experiencing the best of both worlds. We feel this is the best way for us to continue to grow."

By the end of 2007, the bank's assets equaled 2.04 billion pesos (\$50 million), and it had disbursed more than 39,600 microloans totaling 617 million pesos (\$15 million). The bank takes special care to balance loan volume with quality. On-time repayments are consistently above 98 percent.

1st Valley is able to reach into the community with microloans due to a strong focus on deposit mobilization, which funds the expansion of lending. The bank builds its deposit portfolio through innovative marketing strategies implemented with MABS assistance. Among its clients are 68,000 microdepositors with average balances of 15,000 pesos (\$375) or less. In 2006, the bank celebrated its 50th anniversary with the rallying slogan, "1st Begins At 50."

CHAPTER 2: THE *MABS APPROACH*

The objective of MABS was to bring about a sizable expansion of loan and deposit services to microenterprises and other low-income groups by engaging the Philippine rural banks serving this sector, then building their capacity to provide microfinance services in the following ways:

- Develop a microfinance technology based on international and Philippine best practices for rural banks to provide lending and deposit services profitably and sustainably.
- Support operationalization of the microfinance technology by rural banks through technical assistance, training, and monitoring.
- Develop new products and technologies to advance affordable, convenient, and accessible financial services for microentrepreneurs.
- Support an enabling policy, legal, and regulatory environment to increase the expansion of microfinance activity.

MABS began with a focus on Mindanao, a region vastly underserved by financial institutions. In January 1998, the team began working with four banks in Mindanao to pilot a new microfinance technology. Based on this experience, other bankers became convinced that they could profitably provide microfinance services, and demand for the *MABS Approach* increased. At the request of the Rural Bankers Association of the Philippines, the MABS program was expanded in 2001 to serve other regions of the country, with participating banks in Mindanao serving as examples and models.

WHY RURAL BANKS?

- **Scale.** With more than 2,100 branches covering 85 percent of all municipalities, the rural banking system has national coverage.
- **Accessibility.** Rural bankers have personal relationships with microentrepreneurs in their communities, and rural banks are usually located near public markets.
- **Structure.** Rural banks tend to be small and locally owned, facilitating quick decision-making and product and service innovation.
- **Cost.** Lower overhead costs enable rural banks to increase efficiency and profitability.
- **New markets.** As commercial banks entered markets that were exclusively theirs, rural banks were looking for new markets to remain competitive.

A COMMERCIAL APPROACH

MABS adopted a commercial approach to microfinance and set about customizing it to the Philippine context. The *MABS Approach* encourages banks to develop financial services that meet the needs of microenterprises and low-income households. It also encourages a commercial approach to lending and promotes savings mobilization to

support the growth of the banks. The objective is to build self-sufficient financial intermediaries that are sustainable without government or donor funding.

A STANDARDIZED SYSTEM

The *MABS Approach* is a standardized system. Practices integrated into the technology are based on demonstrated international and Philippine best practices, organized in a step-by-step process taught by MABS technical advisors. Its purpose is to equip participating rural banks with the resources and know-how to plan, pilot, and expand microfinance products and services that are viable and sustainable on a commercial basis.

The approach organizes key microfinance best practices into a series of modules for assisting banks from start-up to expansion. The sequence begins by orienting and gaining the buy-in of senior management, then lays out a framework for thorough market research and innovative product development. The heart of the approach is its focus on disciplined product and service delivery that remains responsive and accessible to the changing needs of microentrepreneurs.

Senior Management Orientation and Institutional Assessment

Technical advisors begin administering the *MABS Approach* by conducting a two-day orientation seminar for senior managers and officers of a bank interested in setting up a microfinance operation. After the orientation, the managers and officers are trained to conduct an institutional assessment. They review the bank's resources and capacity and gauge its potential for and commitment to establishing a microfinance unit or department. If the assessment reveals sufficient capacity, resources, market potential, and commitment, the bank continues to the next phase.

The orientation also provides banks with an opportunity to hear from their peers. Managers of participating banks are invited to speak about their experience applying the *MABS Approach*, and bank staff and managers considering adopting the approach are encouraged to visit participating banks to observe their operations.

Market Research

After banks confirm they have the capacity and commitment to conduct microfinance operations, they must determine the viability of the local microenterprise market. Market research is used to identify potential demand, create profiles for the types of potential microentrepreneurs the bank may target, estimate the size of the market, and describe the characteristics of the community where the bank will operate.

The best method of assessing market and client demand is to conduct research and surveys. In 1999, this was a new concept for many rural banks. Green Bank, headquartered in northern Mindanao, with only six branches when it joined MABS, had never conducted market research before. "Now, every time we plan to open a new branch, we conduct market surveys based on a random sample that includes all types of

microentrepreneurs,” said Gerald Guillen, who heads microfinance at Green Bank. Mr. Guillen said that in one week of research, the bank’s staff typically interview 100 to 150 prospective clients, asking about their borrowing and saving history to get a clear picture of the potential market and insight on the type of products to offer. Today, Green Bank has 41 branches and more than 70 banking kiosks. Microfinance operations are now a centerpiece in the bank’s overall strategy.

Product Development

Many microfinance institutions offer a uniform loan product for all customers. This traditional product typically relies on a step-up lending methodology, with loan size increasing by predetermined amounts based on timely and full repayment of previous loans. Other credit terms and loan conditions often remain fixed regardless of client needs. Experience has demonstrated that many clients eventually drop out of these traditional microfinance loan programs when they find other credit providers that better meet their needs.

With MABS, rural banks adopt a client-focused, demand-driven approach to designing microfinance products. Loans are designed to better suit and meet the needs of clients rather than following the traditional one-size-fits-all approach. Banks employ strategies and tools to set interest rates that cover costs and allow a reasonable return on the bank’s investment. They also take competition into account. “We have cooperatives, NGOs, five-sixers, and lending investors all engaging in the credit market,” said Natividad Yu, president of the Rural Bank of Dulag in Leyte. “They’re all competitors. MABS helped us to set a low interest rate in relation to the competition, with good service. That’s how we designed the product — by considering the competition and clients.”

Loan Administration and Management

The *MABS Approach* involves developing sound loan administration and management procedures. Central to the approach are client selection practices grounded in character and background investigation (CIBI) and cash flow analysis rather than the hard collateral-based approach used by traditional lenders. The CIBI helps banks confirm that their clients are creditworthy. Participating banks begin by gathering character and credit information about a particular borrower from the municipality. Account officers cast a wide net to investigate a potential borrower’s character, interviewing other creditors, including moneylenders, neighbors, family members, business associates, and local officials.

ZERO TOLERANCE FOR DELINQUENCY

Portfolio-at-risk (PAR) is a means of tracking loan repayment and the potential for future losses. PAR is the value of all loans outstanding that have one or more installments of loan principal past due by even one day. This measurement helps banks monitor clients effectively, ensuring low default rates. MABS participating banks have generally had a “PAR 30” ratio below 5 percent, which means that less than 5 percent of their microfinance portfolio is more than 30 days past due. According to CGAP (see page 17), a high-quality portfolio is one with a PAR 30 ratio below 10 percent combined with a write-off ratio below 5 percent.

SUCCESS STORY

Service is Key to Bank's Growth

MABS participating bank listens to clients and sees the benefits



PHOTO: BANGKO KABAYAN / TINA GANZON

Residents of Batangas are the beneficiaries of Bangko Kabayan's focus on client care in a competitive microfinance market.

By reducing loan processing time, responding to customer feedback, and focusing on service over shortcuts, Bangko Kabayan has disbursed microloans to more than 15,000 rural borrowers since 2001.

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Headquartered in Batangas in southern Luzon, a region renowned for its handicrafts and native delicacies, Bangko Kabayan has carved a niche for itself in a competitive environment by listening closely to its clients.

Senior managers conduct regular surveys and use client feedback to enhance products and services — two key elements of the MABS program, which the bank joined in 2001.

“Bangko Kabayan is not just any rural financial institution,” said President Francis Ganzon. “It is a value-driven organization that wants to make a difference in the rural areas.”

For example, the bank has authorized branch managers to approve loans up to 25,000 pesos (\$625). Decentralizing loan approval reduced processing time and improved customer service. The bank also developed two new loan products: one for individual clients who need more than 150,000 pesos (\$3,750), and another for group loan clients who need more than 30,000 pesos (\$750) but who do not want to take out individual loans. “If you really care for your client, you will find a way to satisfy an expressed need on their part,” said Teresa Ganzon, bank director/comptroller.

Since joining MABS, the bank has disbursed more than 61,000 microloans totaling more than 1.08 billion pesos (\$27 million) to 15,100 microborrowers. The bank's outreach and expansion is balanced with solid portfolio quality. In 2007, the bank grew its portfolio by 29 percent while maintaining a very low portfolio-at-risk.

Bangko Kabayan's success can also be attributed to sound management, commitment to client service, and willingness to adapt and innovate. “We tell the whole Microfinance Unit not to get pressured by competition, not to take shortcuts, because the market is huge,” Ganzon said. “The only pressure that competition should exert on you is toward constant improvement of the product you offer and the service you extend.”

Cash flow analysis is another key element of the *MABS Approach*. Analyzing the cash flow of a potential borrower helps the account officer determine whether the individual has the capacity to repay a loan, and what size loan will meet the borrower's needs. For many participating banks, incorporating cash flow analysis into loan administration procedures has changed the way they do business.

In managing delinquency, a key principle advocated by MABS is "zero tolerance." The policy mandates close monitoring of borrowers and loans to minimize late payments and loan delinquency. Account officers develop close working relationships with clients and keep up with changes in borrowers' business or family life that may affect their ability to repay their loan. Account officers are trained on how to confront and resolve payment problems immediately. Banks use these best practices to keep their portfolio-at-risk rate (PAR) low. They also use incentive schemes to motivate staff to focus on both portfolio expansion and portfolio quality.

Savings Mobilization

The *MABS Approach* recognizes that safe and reliable deposit services are vital to clients' businesses and personal interests. Effective saving strategies enable banks to mobilize funds from their communities and reinvest these resources within the community in the form of loans to local businesses. For their part, microentrepreneurs often use their savings for a mix of household and business needs. "What was surprising, and still is, is how they can pay on a weekly basis and save, too," said Bangko Kabayan manager Ellen Metica, referring to the volume of savings deposits the bank attracted with the *MABS Approach*. "About 65 to 70 percent of the bank's entire portfolio is financed by the savings from clients in the microenterprise sector. It's remarkable!"

By expanding deposit services, rural banks can increase client outreach, reduce dependence on external borrowing, lower their cost of funds, and become full-fledged financial intermediaries that mobilize resources (deposits) and reinvest these resources back into their communities.

Performance Monitoring

Monitoring operations on an ongoing basis allows the bank to analyze trends, compare branches or account officers, detect irregularities early on, and identify growth opportunities. MABS provides participating banks with a performance monitoring system and a package of reporting templates (see Chapter 4). The system includes product-based financial planning models that project and track key figures such as operational costs and interest rates scenarios. These models form the basis of microfinance business planning and are critical to helping the bank determine when its microfinance unit will reach the break-even point and when it will turn a profit. MABS technical consultants also provide training on performance monitoring system installation, operation, and the how-to of data collection, analysis, and reporting.

Operations Review

After conducting market research, developing client-focused products, and putting in place disciplined loan administration procedures supported by a capable management information system, participating banks are ready to pilot operations in selected branches. After four to six months of pilot testing, banks undergo an operations review to assess, evaluate, and determine whether improvements to the product features or bank operations are needed.

An operations review is typically conducted by an accredited and experienced MABS consultant. After operations are under way, subsequent operations reviews are often arranged to encourage evaluation and planning within the bank. In addition to reaffirming “the basics,” the purpose of the reviews is to assess the bank’s products, suggest improvements, and provide recommendations on how to increase efficiency and competitiveness.

SPECIALIZED COURSES

In addition to the seven core modules described above, MABS developed a series of stand-alone courses to provide specialized training.

- *MABS Microfinance Basics*. Designed as introductory, must-have course for account officers, this course provides an introduction to microfinance, the essentials of client selection, tips on making good loans, and a module on improving sales skills.
- *Middle Management Training*. Targeted to microfinance supervisors, this series of four training modules reviews loan portfolio management, explains effective supervision, and provides tips on interpreting and using 11 essential management reports.
- *Marketing Service Quality*. This stand-alone course guides a bank through the development of a strong and consistent marketing strategy.
- *Delinquency and Remedial Management*. Targeted to senior management, this course focuses on strengthening the bank’s ability to detect and manage delinquency.
- *Micro-Agri Product*. This intensive course guides a bank through the development and launch of a specialized product for agriculture-based businesses.
- *Strategic Planning*. MABS developed a handbook providing senior managers with a roadmap for a strategic planning exercise.

MABS APPROACH BEST PRACTICES

- **Senior-level commitment.** Gain senior management support for the disciplined delivery of microfinance services.
- **Client focus.** Conduct market surveys to profile microentrepreneurs, informal savings and borrowing, and the depth of the market.
- **Character and cash flow.** Focus on the personal and credit history of potential clients, as well as their capacity to repay.
- **Competitive interest rates.** Apply interest rates that cover the costs of lending and provide a reasonable profit.
- **Credit discipline.** Monitor borrowers closely to prevent delinquency, and address delinquency quickly before it escalates.
- **Suitable MIS.** Invest in a management information system that collects, stores, and reports data on collections, portfolio quality, deposit balances, and profitability.
- **Internal controls.** Institutionalize controls to reduce irregularities and fraud.
- **Savings mobilization.** Design innovative, demand-driven products and control costs associated with managing small accounts.

CHAPTER 3: PROMOTING AN ENABLING ENVIRONMENT

By encouraging rural banks to expand the financial services offered to the microenterprise sector, MABS sought to invigorate the economy by helping to build inclusive financial markets that would serve the enterprising poor. As banks opened their doors and became more client-friendly to microentrepreneurs and low-income households, the demand for microfinance services increased.

Rural banks responded by developing and enhancing products and services to attract new customers. The example set by participating rural banks proved the soundness of a commercial approach to offering financial services to the microenterprise sector.

Simultaneously, MABS worked with the Rural Bankers Association of the Philippines (RBAP) to support an enabling policy, legal, and regulatory environment to increase the participation of rural banks in the microfinance sector. An enabling environment is critical for making financial markets work for the poor, enhancing transparency, promoting expansion, and keeping the private sector engaged in microfinance. In the policy area, MABS:

- Educated and provided input to national support institutions and policy-making bodies to improve the policy and regulatory environment.
- Supported efforts to create performance standards for the microfinance sector.
- Engaged in partnerships to advance the Philippine microfinance industry and disseminate best practices.

POLICIES THAT ENCOURAGE GROWTH

To expand and sustain rural banks' involvement in microfinance, MABS worked with RBAP and the central bank, Bangko Sentral ng Pilipinas (BSP), to build a conducive and enabling policy environment.

From 2001 to 2007, the BSP issued 14 circulars to support the expansion of microfinance services in a sustainable and prudential manner. Rural banks responded quickly and positively to the guidance. With the issuance of circulars 273, 340, and 505 that relaxed branching requirements, the branching network of rural banks increased. Also, the number of banks engaged in microfinance operations increased from 45 in 2000 to 229 in 2007.

ACHIEVING IMPACT THROUGH POLICY

- Circular 273. Partial lifting of moratorium on the licensing of new thrift and rural banks to allow entry of microfinance-oriented banks. (2001)
- Circular 282. Rediscounting facility available to rural and cooperative banks to provide liquidity assistance to support microfinance programs. (2001)
- Circular 340. Regulations for establishing branches, and loan collection and disbursement points, by microfinance-oriented banks. (2002)
- Circular 409. Loan loss provision standards for banks engaged in microfinance. (2003)
- Circular 505. Regulations for branching policies, including establishment, relocation, closure, and sale of branches. (2005)

In 2006, the BSP approved a MABS proposal to treat loans to small farmers the same way as microloans, including a no-collateral requirement. Philippine Monetary Board Resolution No. 76 encouraged rural banks to utilize the *MABS Approach* to microfinance and the guidelines developed for a customized micro-agri loan product to expand small farmers' access to financial services. A more detailed description of micro-agri loans is in Chapter 6.

A healthy banking system needs a reliable credit bureau. As the number of institutions offering microfinance services grows, the likelihood of multiple borrowings increases, which can lead to higher default rates. In 2000, there were two major private credit bureaus operating in the Philippines, but the system had many limitations. The MABS team analyzed the various options and helped negotiate a linkage with the Bankers Association of the Philippines (BAP) Credit Bureau to collaborate and expand credit reference sharing services with rural banks.

While the pilot phase of credit sharing was successful, it was limited in scale due to the lack of laws and regulations mandating credit reference sharing. A draft bill authorizing a new credit information system was slated for discussion and ratification by the Philippines Congress in 2008. The RBAP and the two other banking associations fully support passage of this bill.

CREATING PERFORMANCE STANDARDS

Performance ratings are useful internal management tools. They facilitate comparisons across countries and regions and are used by investors to assess viability. They also

Entrepreneur Snapshots



EQUIPMENT MAKER, LUZON

Henry Bayaua manufactures rice threshers and other agricultural equipment in San Manuel, a town in northern Luzon. Bayaua has taken out nine successive loans from the First Isabela Cooperative Bank (FICO). In 2007, Bayaua won the national Microentrepreneur of the Year award in the Maunlad category, which recognizes small businesses with assets between 300,000 and 1 million pesos (\$7,500-\$25,000). His company, Henrico Metal Craft, employs 15 people and recently opened a new branch in Libertad, in northern Luzon.

PHOTO: CITI PHILIPPINES

EGG PRODUCER, MINDANAO

Milagros Dorado, of Asuncion town in Mindanao, raises ducks for egg production and sells the eggs to manufacturers of *balut*, a popular duck egg delicacy in the Philippines. With three loans from the Rural Bank of Santo Tomás, Dorado bought more ducks and increased production. The business helped finance her children's education. In 2007, she won the national Microentrepreneur of the Year award in the Makisap category, which recognizes microbusinesses with assets of up to 300,000 pesos (\$7,500).

PHOTO: CITI PHILIPPINES



promote transparency and create incentives for financial organizations to improve their performance.

EAGLE Standards

MABS developed ratings reflecting international and Philippine best practices to guide the performance of rural banks engaged in microfinance. Launched in March 2003, the EAGLE assessment rates five components of financial and managerial performance:

- E**fficiency
- A**sset quality
- G**rowth in portfolio
- L**iability structure
- E**arnings from microfinance operations

Utilizing the symbol of the Philippine eagle, the national bird, MABS encouraged rural banks to use the keen eye of an eagle to monitor the key indicators measuring the five components of the EAGLE ratings. Each year, MABS recognized high-performing rural banks with EAGLE awards at a national ceremony. The event encouraged healthy competition among participating banks, and the EAGLE ratings evolved to become well-used internal monitoring and evaluation tools.

PESO Standards

Using the EAGLE standards as a guide, MABS participated in a technical working group for microfinance standards convened by the National Credit Council (NCC). Chaired by the Philippine government's Department of Finance, the NCC helps develop efficient financial markets. The working group was tasked with developing a uniform set of performance standards for the microfinance sector. MABS played a prominent role in the formulation of these standards, providing insights from working with rural banks to develop indicators and benchmarks. The PESO standards evaluate performance by examining:

- P**ortfolio quality
- E**fficiency
- S**ustainability
- O**utreach

The PESO system, approved by the working group in 2004, set national standards for microfinance performance that cut across all types of microfinance institutions and paved the way to comparing performance among institutions engaged in microfinance throughout the Philippines.

DEVELOPING LINKAGES AND PARTNERSHIPS

Gaining access to markets and sustaining growth is difficult in a dynamic and competitive field. MABS developed partnerships with local and international organizations to help participating banks learn about and share the latest tools and trends. A few of these partnerships are described below.

- *The Microfinance Information eXchange (MIX)*. MABS and MIX share several common goals, including promoting transparency to attract private financing and increasing the quality and relevancy of microfinance performance benchmarks. The two organizations collaborated to build a rural bank benchmarking database and improve transparency among rural banks engaged in microfinance operations. In addition, MIX and MABS developed a workshop to train rural bank auditors to understand the new standards of transparency and improve their audited financial statements. This resulted in a significant increase in the number of banks reporting to the MIX Market and earned one bank a transparency award.

TRANSPARENCY AWARD

Valiant Bank, headquartered in Iloilo and a MABS partner, was the first rural bank in the Philippines to receive a CGAP Financial Transparency Awards Merit Recognition in 2007 for demonstrating its commitment to financial transparency.
- *Consultative Group to Assist the Poorest (CGAP)*. CGAP's international consortium of agencies working to expand access to financial services to the poor in developing countries provided participating banks with access to innovations and tools used by organizations worldwide. A workshop jointly facilitated by MABS and CGAP in 2004 introduced the activity-based costing (ABC) methodology and tools for rural banks to use to assess the performance of loan and deposit products.
- *Study tours*. To share the MABS experience, the MABS program, in collaboration with the Rural Bankers Research and Development Foundation Inc. and participating rural banks, hosted dozens of delegations from Bolivia, China, India, Indonesia, Kenya, Malaysia, Mongolia, Nigeria, Pakistan, Tanzania and Vietnam interested in learning about the *MABS Approach*. To expose Philippine rural bankers to microfinance developments outside the country, MABS organized study tours to microfinance-oriented banks and microfinance conferences in Bolivia, Indonesia, and Mexico.
- *Globe Telecom and G-Xchange*. MABS facilitated a private partnership between RBAP and Globe Telecom's G-Xchange to pilot-test MABS-designed mobile phone banking applications and to support the development of mobile payment ecosystems in partnership with participating rural banks. This partnership paved the way for an innovative suite of mobile phone banking solutions that has captured worldwide attention.

- *The Microfinance Council of the Philippines (MCPI)*. MABS collaborated with MCPI, a network of 40 institutions working for development of the microfinance industry in the Philippines, on a number of initiatives, including the “Microentrepreneur of the Year” awards. The awards ceremony — a joint undertaking of Citigroup, MCPI, and the BSP — recognizes outstanding microentrepreneurs who have accessed financial services from rural banks, credit cooperatives, or microfinance NGOs; substantially grown their businesses; improved the quality of their lives; and contributed to their local economies. Two awards categories are given yearly, the Masikap Award and the Maunlad Award. The Masikap Award is given to a microentrepreneur who starts a successful business that becomes a reliable source of income for the family. The Maunlad Award goes to a microentrepreneur who expands a business to the point where it generates employment for people apart from household or family members. Clients from MABS participating banks have received awards every year and won both award categories in 2007.
- *Innovations for Poverty Action (IPA)*. IPA, a nonprofit organization based in the United States, conducts evaluations of public policies and development strategies. MABS facilitated relationships between IPA and rural banks to research and evaluate products and strategies related to microfinance, including credit, microinsurance, deposit collection, savings products, interest rate sensitivity, credit scoring, and the impact of group versus individual liability.

CHAPTER 4: APPLYING TECHNOLOGY

Hundreds of microenterprises have benefited from new technologies that are revolutionizing financial markets in emerging economies. MABS introduced new technologies to help banks increase transparency and efficiency, reduce human error and costs, and improve internal controls. This chapter describes some of the technologies MABS supported.

MANAGEMENT INFORMATION SYSTEM

To reach economies of scale and efficiently manage thousands of clients and tens of thousands of transactions, banks need a functioning, computerized management information system (MIS). Such a system supplies timely and relevant management reports, enabling bank staff to accurately track the performance of their microfinance operations.

When MABS began operations in 1998, few banks had systems capable of reporting and tracking microfinance operations on a daily basis. Some had systems that were unable to consolidate data from multiple branches accurately and efficiently. Others relied on manual entry and spreadsheet programs that consumed staff time, were vulnerable to encoding errors, and provided limited analysis and reporting capability.

To address the needs of participating rural banks, MABS worked with bank staff to evaluate the systems they used to monitor microfinance operations and the reports they generated. The team identified 11 essential internal management reports and trained participating bank staff on how to generate those reports, analyze the data presented, and use them for decision-making. MABS also supported the development of Rural Banker 2000 (RB2000), a software application to help rural banks administer and monitor microfinance operations. Today, RB2000 supports deposit and loan management and general ledger accounting, is audit compatible, and tracks transactions by date, time, and user. In 2003, the BSP approved RB2000 as compliant with its reporting requirements. MABS organized a series of conferences to introduce the software to participating rural banks and facilitated improvements to the system to increase its use. By September 2007, 264 participating bank branches were utilizing the RB2000 system. Equipped with better management information systems, banks improved monitoring of their microfinance loan portfolio quality, enabling them to post an average portfolio-at-risk (PAR) 30 rate — a measure of the loan portfolio past due by 30 days or more — of less than 5 percent by December 2007.

PERFORMANCE MONITORING SYSTEM

Monitoring the performance of microfinance operations on an ongoing basis enables the bank to identify opportunities and detect problems early. The bank can evaluate the quality of its portfolio, its performance against targets, and the profitability of operations. MABS supported the development of a performance monitoring system and a package of reports to assist rural banks in monitoring operations efficiently. In 2007, MABS

launched an updated version of the program and arranged training in different regions on how to generate reports and use them to monitor progress.

PERSONAL DIGITAL ASSISTANTS

MABS introduced the use of personal digital assistants (PDAs) to lower costs by reducing the need for manual entry of daily loan collection transaction data. The team designed a program that enables account officers use a PDA to record loan collections in the field. Account officers can upload collection information from the PDA to the bank's MIS system at the branch, thereby reducing double entries. The system helped banks reduce paperwork and the amount of overtime paid to tellers and back-office personnel.

A comparative study conducted by the Rural Bank of Dipolog in Zamboanga del Norte revealed that as of July 2002, the microfinance unit had cut collection costs by 60 percent by using the PDA loan collection system for their microfinance operations. This early experience helped MABS work with banks to introduce new technologies that continued to reduce costs for both banks and their clients.



Entrepreneur Snapshots **PUSÓ MAKER, MINDANAO**

Helena Coquilla and her husband Antonio make *pusó*, rice cooked and served in woven coconut-leaf baskets, and sell it wholesale to vendors in the town of Cantilan, in eastern Mindanao. With a series of loans from the Rural Bank of Cantilan, the couple expanded and diversified their business. Over two years, they diligently repaid their loans and incrementally increased the amounts they receive. "I have had other loans before," says Mrs. Coquilla, "but this loan works best because of its disciplined structure. I like the savings component, because it forces me to think about setting aside money that I otherwise may have spent."

PHOTO: CHEMONICS / KRIST N THOMPSON

SNACK MAKER, LUZON

Virginia Dimayuga manufactures banana chips, coated peanuts, and other snacks in Batangas City, in southern Luzon. With a loan from Bangko Kabayan, she introduced new products and expanded her client base. Dimayuga employs 10 workers and won the 2007 Luzon regional Microentrepreneur of the Year award in the Makisap (microbusiness) category.

PHOTO: CITI PHILIPPINES



PROGRAM WEB SITE

The MABS communications program supports primary technical activities. Its main objective is to provide information on MABS' work, results, and achievements using printed materials, videos, and the program Web site, www.rbapmabs.org. Since many people now turn first to the Web for their information needs, MABS takes advantage of this very powerful tool by posting information on the MABS program and participating banks for a diverse global audience. Visitors from the Philippines include rural bank staff, MABS stakeholders and partners, prospective clients, and the public. Researchers and donors from more than 75 countries have also visited the site. Along with program information, related news, announcements of upcoming events, links to microfinance resources, and success stories are also posted on the site.

MOBILE PHONE BANKING APPLICATIONS

By the end of 2007 there were more than 55 million cellular phones in the Philippines. More than one billion text messages are sent each day, making the Philippines the text messaging capital of the world. Short message service (SMS) technology has taken off due to initial free introduction of this service and the relatively low cost of owning and operating a mobile phone.

The MABS team realized that the growing number of cellular phone subscribers among microborrowers presented a tremendous opportunity. After approaching the two major telecommunications companies in 2004, MABS developed a partnership with Globe Telecom to utilize its GCash platform to expand access to banking services for microenterprise clients. Globe Telecom's subsidiary G-Xchange Inc. (GXI) launched the GCash platform in 2004. This unique, cardless mobile payment platform enabled individuals to send and receive money using their mobile phones. While the program began with loan payments, MABS, with the support of GXI, developed a full range of mobile phone banking services, including:

- Text-a-Payment, which enables borrowers to send loan payments to the bank.
- Text-a-Sweldo, a payroll service that uses GCash as a platform to transfer wages from a rural bank to its employees, or to employees of other companies.
- Text-a-Remittance, which enables the transfer of money from person to person.
- Text-a-BillPayment, used by rural bank clients to pay school fees, utility bills, and other payments.
- Text-a-Deposit, which enables deposits to a rural bank account from a mobile phone.
- Text-a-Withdrawal, which enables withdrawals from client accounts to a mobile wallet.

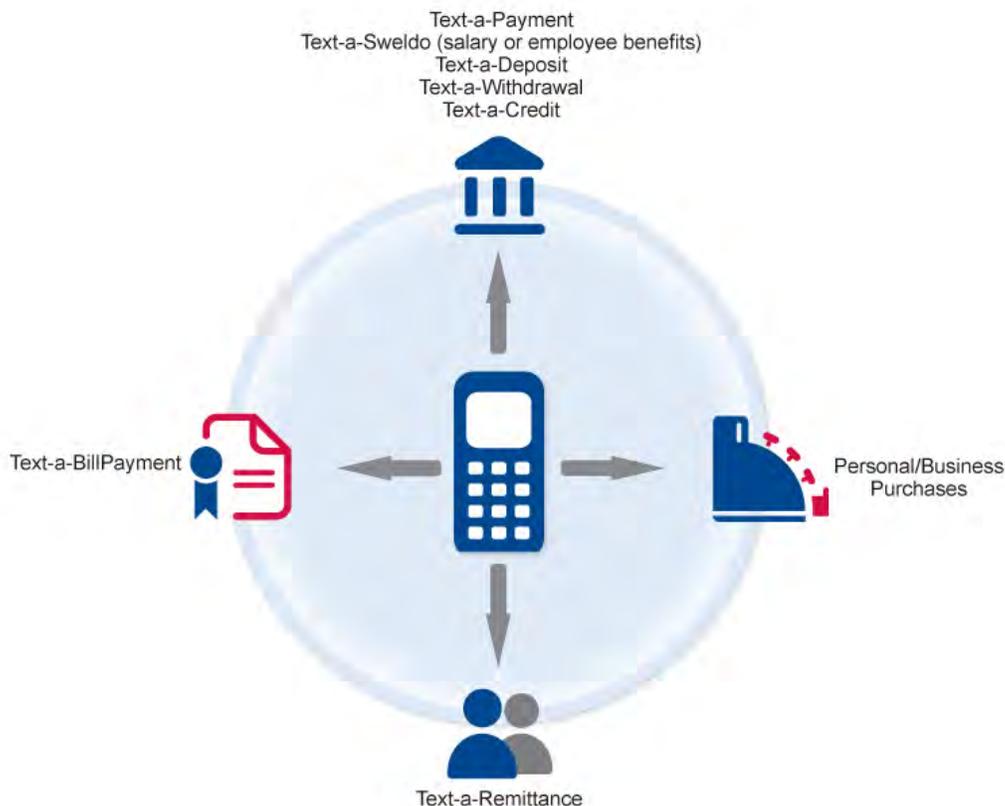
- Text-a-Credit, which enables borrowers to receive loan disbursements directly to a mobile phone.

The exhibit below illustrates the mobile phone banking applications offered by MABS participating banks.

Mobile phone banking offers great promise for expanding financial services to remote areas while reducing transaction costs for both the client and the bank. Instead of traveling to the bank to make a loan payment or a deposit, a client can text a payment or deposit directly to the bank. A text message from the bank shortly thereafter confirms the transaction. Fewer clients in teller lines at branches and fewer loan collections in the field reduce costs for the bank. Accepting payments through SMS reduces the risks associated with the collection and transfer of money in the field. Loan officers, who typically carry large bundles of cash during collection, face security risks.

Reducing transaction costs and increasing security allows banks to pass on savings to clients through lower interest rates on loans and reduced service charges. The lower costs also enable them to invest in marketing their loan and deposit services to remote areas made more accessible through mobile phone banking solutions.

Mobile Phone Banking Applications



MABS played a pivotal role in fueling the expansion of mobile phone banking services and mobile commerce solutions in the Philippines, serving as the bridge between rural banks, Globe Telecom, and the BSP. (Mobile commerce is the buying and selling of goods and services using “electronic money” through wireless, hand-held devices such as mobile phones.)

To prepare rural banks to process mobile phone banking and mobile commerce transactions, the MABS team developed operations manuals for each mobile phone banking service, devised a marketing strategy to enroll rural bank clients, and trained staff at more than 40 rural banks. In 2005, MABS helped the RBAP facilitate BSP approval of rural banks interested in offering mobile phone banking services by helping develop standard applications and documentation required for electronic banking services.

To further promote mobile phone banking, MABS and RBAP, with sponsorship from GXI, launched a new Web site, www.mobilephonebanking.rbap.org, in June 2007 to provide an online resource and directory of accredited rural bank outlets and merchants accepting mobile cash payments. From the site, rural banks and merchants wishing to offer mobile phone banking and mobile commerce services can download the forms required for accreditation and access instructions and guidelines. Step-by-step instructions are also available to users of mobile phone banking services. The site lists bank branches and merchants that offer mobile phone banking services and accept mobile payments, enabling users to easily locate bank branches and merchants nearest their localities. It also includes videos explaining how mobile phone banking and mobile commerce work. By late 2007, the site was receiving tens of thousands of hits each month from around the world.

As of December 2007, 40 rural banks with more than 350 branches were accredited to offer mobile phone banking services utilizing the GCash platform. In the years ahead, technology will be critical to improving access to a broader range of affordable financial products in rural and urban areas. Mobile phone banking and mobile commerce services will have a wider relevance in the world of microfinance, where many institutions are looking for ways to reduce costs and provide new services.

SUCCESS STORY

Banks Mobilize to Help Clients

Mobile phone banking saves customers and banks time, money



PHOTO: CHEMONICS / JOHN OWENS

Microentrepreneurs who were already using their cellular phones to support their businesses are adopting new mobile phone banking services offered by rural banks.

Thanks to the affordability and popularity of cellular phones in the Philippines, mobile phone banking has taken off, allowing banks to serve distant clients and eliminating customers' need for time-consuming and often unsafe travel to bank branches.

U.S. Agency for International Development
www.usaid.gov

Pepito Gingane, a 42-year-old businessman and native of Socorro in southeastern Mindanao, used to travel dozens of miles by motorized *bangka* (small boat) to the coastal city of Tandag to deposit his hard-earned money. Wary of thieves, he would nervously wrap bundles of cash in newspaper and hide them on his person during his travel.

That was before the Socorro branch of Cantilan Bank, a MABS participating bank, began offering mobile phone banking services. Now, instead of taking the long boat trip, Mr. Gingane uses his phone to deposit money, pay for purchases in Cebu City, and transfer funds from the Socorro branch to the Tandag branch of the bank.

Hundreds of miles away, in the southern Luzon town of Calaca, cellular phone shop owner Merlita Werlan stays put when she wants to withdraw cash from Bangko Kabayan. Previously, she would close her shop and travel 15 minutes to the bank, then wait another 30 minutes to complete a transaction at the teller window.

Currently offered by 40 rural banks with more than 350 branches, mobile phone banking services utilize Globe Telecom's GCash platform and include deposits and withdrawals, remittances, payroll, and bill and loan payments. Since its introduction in early 2005, mobile phone banking has begun to transform the lives and businesses of thousands of microentrepreneurs. They can manage their finances quickly, efficiently, and safely from home or the workplace. Freed from long hours of travel and waiting for service, they can spend more time with their families and keep a closer eye on their businesses. Banks benefit greatly as well, with the technology to provide a broad range of services to distant rural clients at a lower transaction cost.

Affordable mobile phones, low-cost services, high literacy rates, and the popularity of text messaging helped this innovative technology take off in the Philippines. The MABS experience has sparked excitement among private investors and donors, who discussed its implications for other countries at several international conferences in 2007.

CHAPTER 5: ENSURING SUSTAINABILITY

Sustainability was an important part of the MABS program from the beginning. To ensure sustainability, MABS incorporated a commercial approach that quickly generated positive returns for participating banks, providing an incentive for them to continue developing microenterprise products and services. By supporting an enabling environment, MABS helped establish a solid foundation for a sustainable microfinance industry. By involving the private sector in training and service provision, MABS helped institutionalize microfinance best practices. Through outreach and distance learning, MABS deepened bankers' understanding of microfinance and extended the reach of training into underserved regions.

ENCOURAGING PRIVATE SECTOR TRAINING

While there are more than 700 rural banks in the Philippines, MABS' resources were limited to partnering with 20 to 30 new banks each year. In November 2003, RBAP sponsored a series of workshops to gauge the interest of rural banks in the *MABS Approach*. Some 450 rural bankers from more than 245 banks attended these workshops. To accommodate their interest in adopting the *MABS Approach*, and to ensure its availability to banks beyond the life of the project, the MABS team developed several initiatives to enable broader, sustained dissemination of the methodology. These are described below.

Standardizing a Streamlined Approach

The *MABS Approach* was initially delivered to individual banks over a two-year period by program technical staff. Later, in order to reach more rural banks interested in the *MABS Approach*, the program was streamlined for delivery in four modules over four to six months, allowing banks two to three weeks between each module to implement the approach. This significantly reduced the cost of rolling out the program to new participating banks. After four to five months, banks can successfully complete development of their own microfinance products, which are then tested for at least six months. If the products are successful, they are launched to other branches or service areas of the bank.

To ensure continued success of their microfinance operations, banks must be disciplined in carrying out best practices. "Anti-backsliding" measures help banks avoid reverting to ineffective practices and include retraining microfinance staff, conducting operations reviews, providing tools for delinquency management, and conducting supervisor forums, among others. Performance monitoring systems and refresher courses are the cornerstones of keeping banks on track.

In 2007, MABS compiled and disseminated a comprehensive package of training and technical assistance materials to all participating rural banks. The *MABS Approach* Training and Technical Services (MATTS) package includes a two-disk DVD set to help banks maintain best practices and monitor their performance. The DVDs contain a complete set of training modules, instructional videos and documentaries,

THE MABS TOOLKIT FOR BANKS

The MABS Toolkit for Banks compiles microfinance best practices and resources for rural bankers and microfinance practitioners in an effective, user-friendly DVD format. It includes:

- 12 training modules featuring step-by-step guides, product manual templates, and Excel templates for implementing the *MABS Approach* to microfinance. The training covers senior management orientation, market research, product development, loan administration and management, performance monitoring, and operations review.
- 5 specialized “microfinance basics” training modules for accounts officers and middle managers featuring train-the-trainer guides, product manuals, and tools. Topics include strategic marketing, savings mobilization, and delinquency management.
- A specialized concept paper, training module, and tools to implement a micro-agri loan product incorporating the *MABS Approach*.
- Technology product manuals and marketing templates, including PDAs and mobile phone banking solutions.
- Instructional videos on microfinance best practices, including market research, credit investigation, and internal credit review committee coordination.
- Interviews with senior managers of participating rural banks showing how the *MABS Approach* was adapted and integrated into their operations to increase outreach and efficiency.

implementation tools and templates, and program management materials compiled over the 10-year history of the MABS program. The two disks are included in the back pocket of the hard-copy version of this report.

Developing Private Training Providers

In 2003, MABS developed a training program to certify third-party service providers to deliver the standardized MATTS program and selected specialized courses. After a six-month training period, two training and consulting firms — Associated Resources for Management and Development and Punla sa Tao Foundation* — were certified to deliver the streamlined MATTS package to interested rural banks. Their consultants became experts on the *MABS Approach* and helped extend the technology to a broader audience. Together, the two MABS service providers (MSPs) installed the *MABS Approach* in 50 rural banks, which more than doubled the program’s original number of participating banks.

* For contact information, see page 38.

INCREASING INTERNAL TRAINING CAPACITY (MABSTeRS)

The MABSTeRS program was launched in 2003 to train managers and supervisors from participating banks. MABS technical resource specialists, or MABSTeRS, became trainers for their banks. The program targeted bank managers with strong experience in microfinance operations and a desire to share their knowledge with others. The objective of the MABSTeRS course was to instill a deeper understanding of microfinance best practices in candidates and improve their supervisory skills. For several certified MABSTeRS, the course contributed to their career advancement. By September 2007, 113 MABSTeRS had been trained in participating banks. They now serve as in-house trainers who help institutionalize the *MABS Approach*, thus ensuring profitability and sustainability of the bank's microfinance operations.

Establishing MABS Learning Centers

MABS Learning Centers are participating banks that serve as visitor centers for other banks interested in adopting the *MABS Approach*. By the end of 2007, MABS was operating four centers in Luzon and three in Mindanao. The Rural Bank of Mabitac, Bangko Santiago de Libon, First Isabela Cooperative Bank, Bangko Mabuhay, Cantilan Bank, Green Bank, and the Rural Bank of Santo Tomas conduct in-house training for their microfinance staff and host exposure visits for institutions interested in adapting the *MABS Approach* to their operations. Cantilan Bank opened its own training center in 2005, becoming the first MABS Learning Center to open a full-service microfinance training facility. The center provides refresher and skill-building courses to interested bankers. Training is delivered by in-house specialists, among them MABSTeRS pool members.

Entrepreneur Snapshots



BAKERY OWNER, LUZON

Allan Geron operates a bakery and mini-grocery in San Juan, a town in southern Luzon. With a loan from Bangko Kabayan, he expanded his business from a makeshift wooden structure with just 3 helpers to a two-story bakery employing 13 people. Although he still works in the kitchen alongside his employees from time to time, he devotes more time to running operations. In 2007, Geron won the Luzon regional Citigroup Microentrepreneur of the Year award in the Maunlad (small business) category.

PHOTO: CITI PHILIPPINES

WASTE RECYCLER, VISAYAS

Ruel Limpin employs 30 people who sort and clean scrap materials for his waste recycling business in Leyte province, in eastern Visayas. Limpin is a client of the Rural Bank of Dulag and the 2007 Visayas regional Microentrepreneur of the Year award winner in the Maunlad (small business) category.

PHOTO: CITI PHILIPPINES



Distance Learning Program

With more than 1,000 account officers, supervisors, and branch managers at MABS participating banks, providing quality, in-person training on microfinance best practices became a challenge. To accommodate the needs of rural banks expanding their microfinance operations, MABS developed an online distance learning program for bank staff. Led by trained facilitators, the program provides intensive training on the core elements of the *MABS Approach* through lectures, exercises, and quizzes. Chat rooms enable course participants to communicate in real time with facilitators and peers.

The distance learning program was piloted in 2006 and launched in 2007. The distance learning site, www.moodle.rbapmabs.org, contains four courses: Introduction to Distance Learning, MABS Microfinance Basics, Delinquency and Remedial Management, and Middle Management Training: Effective Supervision. Web-based distance learning will reduce the cost of training bank staff and scale up delivery to the ever-increasing number of microfinance staff who need to be trained or retrained.

Another advantage is that as the primary learners (account officers) complete the online modules, their supervisors and managers can also participate as learning partners. MABS worked with the Rural Bankers Research and Development Foundation Inc. (RBRDFI) and the MABS service providers to enable them to manage and support this online course in the future.

Venues to Facilitate the Exchange of Ideas

MABS organized regular senior manager roundtables and supervisor forums to create networking and learning opportunities for participating rural banks. A national roundtable held once a year brought participating banks together to compare performance across the country and hear about new developments in microfinance. At supervisor forums taking place every six months in different regions of the country, participants discussed loan portfolio quality, incentive schemes, new products, and events shaping the industry.

Other venues during the first several years of the program included regional workshops, seminars, and training events. MABS teamed up with RBAP's Academy for Banking in the Countryside to develop introductory courses for rural bankers interested in learning more about microfinance. More than 450 rural bankers from 245 rural banks throughout the Philippines took part in the workshops.

CHAPTER 6: PROGRAM ACCOMPLISHMENTS

The MABS program spanned 10 years and encompassed three phases. Launched in 1998, it started with targeted, yet ambitious, goals for expanding access to financial services to microentrepreneurs in Mindanao. Results achieved by participating banks over the first three years caught the attention of bankers in other regions, and the program was expanded to rural banks based in Luzon and Visayas in 2001. Expansion of the rural banks' microfinance loan portfolios created new opportunities to forge private and public sector linkages and to develop innovative new products and services. This chapter describes the objectives, activities, and accomplishments of the MABS program over a decade.

PHASE 1: 1998-2001[†]

In Phase 1, MABS set out to examine the rural banking sector's involvement in microfinance and design and adapt a microfinance methodology that would fit the model. Although the *MABS Approach* would be refined and retooled over the years, the core components of the methodology were developed during this phase. The initial focus was on rural banks in Mindanao, where access to credit was particularly limited. With the guidance of the Steering Committee, comprising representatives from the Mindanao Economic Development Council (MEDCo), the United States Agency for International Development (USAID), and the Rural Bankers Association of the Philippines (RBAP), MABS reached out to develop partnerships with Mindanao-based rural banks.

Phase 1 targets were to introduce the *MABS Approach* into 20 banks in Mindanao, helping them serve 8,000 new microborrowers and 15,000 new microdepositors. (Microdeposit accounts are those with an outstanding balance of 15,000 pesos or less. New microdeposits refers to the net change in deposits per bank.) During Phase 1, MABS also designed Rural Banker 2000 (RB2000), a customized software package to help banks improve the efficiency of loan and deposit collection, organization, and reporting. By the end of Phase 1, 28 banks with 75 branches had adopted the *MABS Approach* and had served some 37,600 new microborrowers by providing more than 96,300 loans totaling 842 million pesos (\$21 million). The number of additional microdeposit accounts increased by 90,000, the overall outstanding balance of microdeposit accounts stood at more than 336 million pesos (\$8.4 million), and the microfinance operations of all participating banks were earning a profit. Word spread from rural banks in the pilot phase to other rural bankers. Not only was microfinance a vehicle to reach the most marginalized sectors, but microfinance operations had the potential to cover costs and generate a modest profit for the bank.

[†] Phase 1 of the USAID MABS program ran from December 1997 to September 2001, Phase 2 ran from October 2001 to September 2004, and Phase 3 ran from October 2004 to May 2008. For simplicity, calendar year-end (December) figures are used.

PHASE 2: 2002-2004

In Phase 2, MABS was tasked with installing the MABS technology in three rural banks in the Autonomous Regions of Muslim Mindanao (ARMM) and the Conflict-Affected Areas of Mindanao (CAAM) to increase access to financial services to Mindanao's large Muslim community. Other core objectives included working with banks in other selected regions, introducing "anti-backsliding" measures to ensure that participating banks continued to implement the

MABS Approach, and developing peripheral technologies to increase the efficiency and transparency of microfinance operations. During Phase 2, MABS partnered with eight rural banks in ARMM and CAAM, helping them extend microfinance services to members of religious and ethnic minority groups within their areas of operation. A new program office in Cebu City in the central Philippines began serving rural banks in the Visayas region.



In Phase 2 of the program, MABS technology was installed in three rural banks in ARMM and CAAM to provide Mindanao's large Muslim community with increased access to financial services. PHOTO: CHEMONICS / BEN FRASER

Entrepreneur Snapshots



RICE WHOLESALER, MINDANAO

When Roxann Platero's father became ill, she decided to give up her career in Davao City in southern Mindanao and return to St. Tomás, in Davao del Norte, so she could be closer to her family. With her savings, she opened a grain supply store. A loan from the Rural Bank of Santo Tomas helped Platero double her stock and grow her business.

PHOTO: CHEMONICS / MATT HERRICK

ELECTRICAL STORE OWNER, MINDANAO

With a loan from the Rural Bank of Cantilan, Nonita de la Peña and her husband Albert expanded their electrical store business in the northern Mindanao town of Cantilan. Many loans later, they were able to move their store into a larger building, increase the stock available to customers, and quadruple daily sales.

PHOTO: CHEMONICS / KRISTIN THOMPSON



To reduce the risk of banks reverting to former practices, the team packaged the *MABS Approach* into a standardized series of training modules and technical support. The MATTS package was produced in CD and DVD box sets to give bankers tools and templates at their fingertips. To meet the growing demand for assistance from rural banks, MABS developed a third-party training and accreditation program (MSPs), an in-house trainer training program (MABSTeRs), and visitor centers for sharing best practices (MABS Learning Centers). These innovations are described in greater detail in Chapter 5. By the end of 2004, 72 rural banks with 204 banking units were actively participating in the MABS program. These banks had increased the number of new microenterprise clients by 39,000 during this phase and had collectively disbursed almost 485,000 microloans totaling more than 5.3 billion pesos (\$132 million). During this phase, the banks also increased the number of microdeposit accounts by 143,000 and were managing outstanding microdeposits amounting to more than 1 billion (\$25 million).

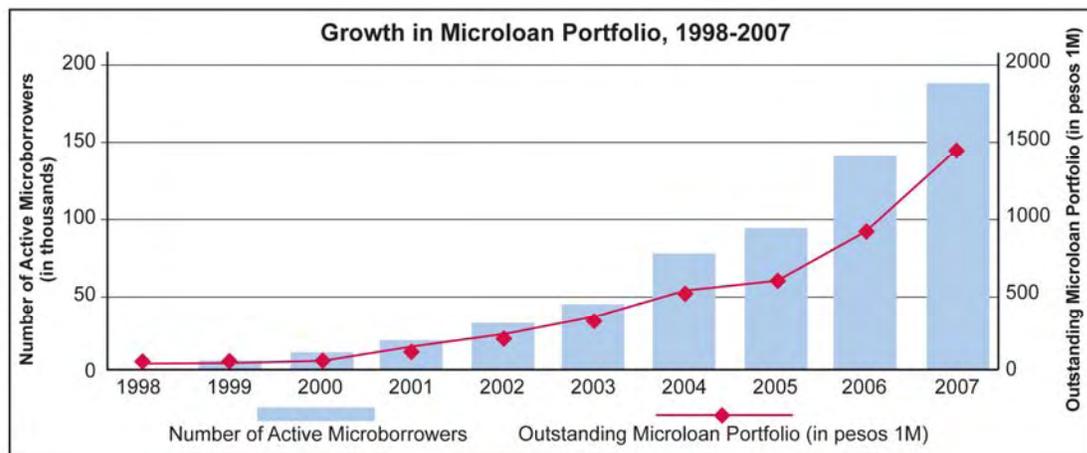
PHASE 3: 2004-2008

Phase 3 of MABS focused on expansion, sustainability, new technologies, and introduction of a loan for small farmers. To reach an overall 10-year cumulative total of 350,000 microentrepreneurs, MABS provided focused technical assistance to banks with the greatest potential for expansion and growth, targeting banks with at least nine branches. To sustain application of the *MABS Approach*, the team continued to train MABSTeRS, designed a distance learning program, and produced a two-disk compilation of MATTS materials, described in greater detail in Chapter 5. Technology innovations supported by MABS included enhancements to RB2000 and the MABS performance monitoring system, as well as development of mobile phone banking applications through a partnership with Globe Telecom. A summary of activities and accomplishments in technology is in Chapter 4. MABS helped participating banks enter new markets by developing and pilot-testing new loan products for small agricultural borrowers, described in greater detail below.

MABS PROGRAM ACHIEVEMENTS

Expanding Access to Financial Services

Planning, training, ongoing innovation, continuous monitoring, and the commitment of rural bank managers led to significant growth in the microfinance portfolios of MABS participating banks, often with higher returns than the yields from other types of loan products. By the end of Phase 3, participating banks had collectively disbursed more than 1.4 million microloans totaling more than 16.4 billion pesos (\$410 million) to more than 457,000 new microborrowers. More than 457,000 microdepositors had opened accounts in participating rural banks and were maintaining deposits valued at more than 1.6 billion pesos (\$40 million).



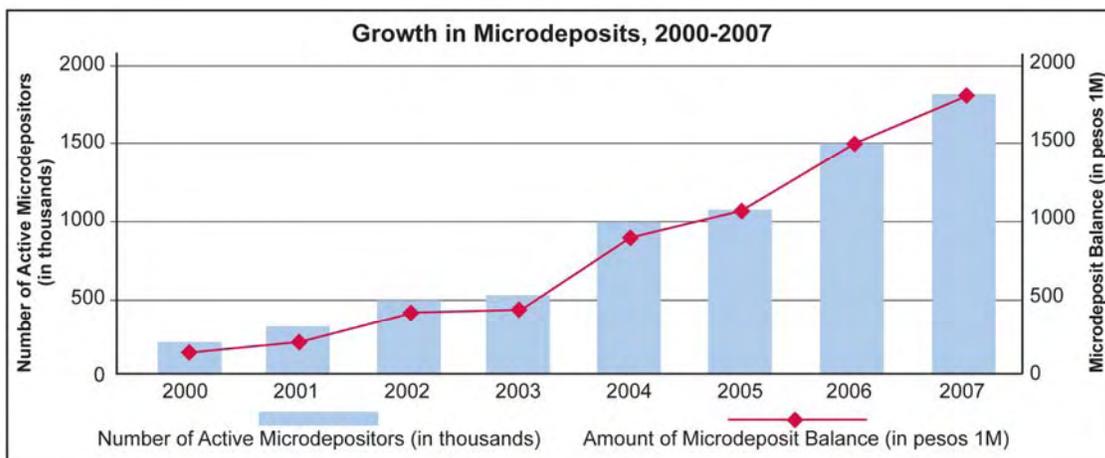
Creating Jobs and Reaching Women

As participating banks expanded their microfinance operations, they recruited more than 1,100 account officers, marketers, and tellers for new banking units and branches. Many participating bank managers are women. Strong leadership from bank presidents, such as Natividad Yu of the Rural Bank of Dulag and Teresita Ganzon of Bangko Kabayan, inspire persevering female account officers such as Gloria Arellano of Bangko Kabayan, promoted to supervisor of her bank’s microfinance unit. More than 85 percent of microfinance clients at MABS participating banks are women. According to Ms. Arellano, sometimes it takes a woman to talk to woman about family situations that may distract a client from making steady loan payments or regular deposits.

Developing a Savings Culture

For most microentrepreneurs, just opening a bank account is a sign of progress. Before MABS, many microentrepreneurs did not save or kept their savings at home, convinced that the amounts were too small to take to a bank. Rural bankers helped microentrepreneurs build wealth by saving regularly. Microentrepreneurs put their savings to work by growing their businesses or taking advantage of seasonal opportunities. Others used their savings to make home repairs or improvements, buy appliances, send children to school, or care for dependents.

Some banks introduced inventive savings practices that enable clients to save more while reducing transaction costs for the bank and clients alike. One such innovation was the *ganansya* box (“profit box”). *Ganansya* boxes are similar to piggy banks, with small locks. Keys to open the boxes are kept at the bank. Depositors take home the box and are encouraged to save extra change. When the boxes are full, depositors return them to the bank, where the savings are transferred to an account and recorded in a passbook. Small depositors, including children, learn the value of saving this way, while the bank increases deposits and develops clients for a lifetime.



Nicolas Lim, president of 1st Valley Bank, stressed the importance of deposit mobilization from the banker’s perspective. “I applied to be part of the MABS program because I wanted to learn how to generate deposits,” he said. “At that time, it was the biggest weakness of our bank, in the sense that we were very reliant on rediscounting and not really able to generate the kind of money we were lending out. If we look at our deposit ratio right now, we are almost 1:1. That is how successful we are in generating deposits. This completely vindicates our membership in the MABS program.”

From 1998 to 2007, participating banks achieved significant growth in new microdeposit accounts. As of December 2007, 90 participating banks had opened more than 457,000 additional microdeposit accounts, surpassing the program target of 400,000 and managing more than 1.2 million microdeposit accounts totaling more than 1.6 billion pesos (\$40 million).

Providing Access to Credit for Small Farmers

One-third of the Philippine labor force depends on agriculture for their income. However, financial institutions were historically reluctant to lend to farm-based businesses due to market factors outside the farmer’s control, such as weather, pests, disease, fluctuating prices, and limited access to markets. These factors led bankers to perceive farmers as more credit-risky than other clients.

In July 2004, MABS piloted a micro-agri product that combined key elements of the *MABS Approach* to product design and administration with practices suitable for households with agricultural activities. Several features distinguished the new product from traditional agriculture-based business lending, including:

- Considering character and reputation first, and cash flow second, when determining an applicant’s eligibility for a loan.

SUCCESS STORY

Students Learn the ABCs of Saving

MABS participating bank reaches the next generation of customers



PHOTO: CHEMONICS / ELIZABETH MOORE

Cantilan Bank counts children as well as adults as clients. Kids join the Student Savers Club, which provides them with piggy banks for saving their pesos.

Account officers of Cantilan Bank invite schoolchildren to start their own bank accounts, building a culture of saving while promoting deposit mobilization.

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Rare is the bank employee who brings a guitar to work as part of the job. On his regular visits to schools in Mindanao in the southern Philippines, Ramon Ibarra strums his guitar in schoolyards after making his rounds as an account officer for the Student Savers Club. The club was developed by Cantilan Bank with the assistance of the MABS program, with the goal of developing students into lifelong clients.

“The kids enjoy the music, and it makes them excited to see me,” Ibarra said. The bank started the club in 2000 to teach children the value of saving. “We aim to develop a relationship with these students so that when they grow up and have steady jobs, they remember that they can trust Cantilan with their savings,” said Cantilan Bank President Gen. William Hotchkiss.

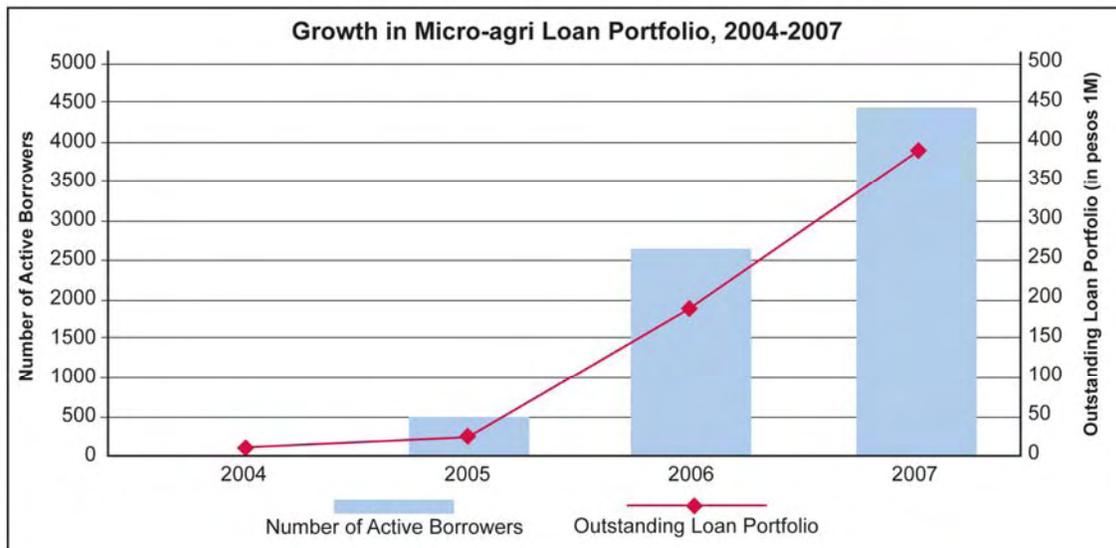
With the school’s prior approval, account officers travel to classrooms, inviting young people to open accounts and save regularly. For just 20 pesos (50 cents), a student can open an account and receive a passbook with cartoon characters on the cover. When the account reaches 100 pesos (\$2.50), the student receives a locked piggy bank. Only the account officer can unlock the bank; a withdrawal may be made only in times of emergency. When the accounts reach 500 pesos (\$12.50), the student begins earning 2 percent interest.

Cantilan Bank’s performance reflects the success of its innovative approach. From 1999 to 2007, the number of deposit holders grew from 6,500 to 53,100, and deposit balances increased from 33 million pesos (\$825,000) to 361 million pesos (\$9 million). By 2007, more than 95 percent of all deposit accounts were microdeposits with balances of less than 15,000 pesos (\$375).

The bank’s strategies have generated funds for lending and helped promote a culture of saving. “The rise in our deposit balance has given Cantilan Bank the capability of lending at low cost while proving that the poor can finance their own requirements,” said Hotchkiss.

- Incorporating sources of income other than farm income when determining a borrower's capacity to repay and the amount of debt a borrower can withstand. This minimized the risk posed by loans linked entirely to farm production.
- Aligning weekly, semimonthly, or monthly repayment with the borrower's cash flow rather than requiring lump sum payments.
- Conditioning subsequent loans on past repayment behavior and current repayment capacity.
- Making saving voluntary rather than compulsory

After a successful pilot in 2004, MABS rolled out the micro-agri loan product to additional rural banks. As of December 2007, 16 banks with 41 units were offering the product and had released 14,500 loans totaling 168 million pesos (\$4 million). Portfolio quality remained strong, with a PAR 30 ratio of just over 2 percent. (For an explanation of PAR 30, see page 10.)



CHAPTER 7: LOOKING AHEAD

The Philippine economy grew at its fastest pace in 17 years in 2007. GDP rose by 6.9 percent from 2006, the highest rate since 1990, and is expected to grow by at least 6 percent in 2008. This strong performance is attracting foreign investment and generating jobs. Micro and small businesses will continue to be the bedrock of the local economy and the engine for future economic growth. Widespread access to financial services will be critical to ensuring that all sectors of society can participate in the growing economy.

Over the past 10 years, MABS has played an important role in expanding access to affordable financial services to more than 457,000 entrepreneurs. MABS introduced and integrated a microfinance methodology grounded in international best practices to 90 rural banks offering microfinance services through 358 branches. Through the years, MABS stood side by side with rural bankers as they designed new loan products, addressed delinquency problems, and experimented with deposit products to encourage savings in their communities. Technologies introduced by MABS — RB2000, PDAs, and performance monitoring systems — helped banks manage their operations efficiently. Innovative technologies such as mobile phone banking promise to revolutionize banking not just in the Philippines, but in the microfinance sector worldwide.

MABS helped demonstrate that rural banks can earn profits and benefit society through microfinance. To sustain growth in a competitive and changing environment, we offer some ideas for future assistance to the Philippine microenterprise sector.

- *Continue expanding access to microfinance.* MABS has been innovative in expanding the outreach of rural banks. Ten years have witnessed the *MABS Approach* to microfinance being rolled out to 358 rural bank branches. However, hundreds of thousands of microentrepreneurs remain beyond the reach of formal financial institutions. Building capacity and improving the efficiency of product development, loan administration, and portfolio management will help rural banks provide high-quality services, generate sufficient revenues to sustain their engagement in the microenterprise market, and fuel expansion.
- *Increase agricultural lending.* With so much of the labor force dependent on agricultural income, and with the rising demand for basic agricultural products, access to financial services in this sector is critical. Rural banks are uniquely positioned to serve this market. By incorporating MABS best practices and adjusting loan features to address the flexible needs of agricultural borrowers, rural banks have become more confident about lending to this sector. More technical assistance, training, and monitoring are needed to increase agricultural lending, and close monitoring will be critical to maintaining portfolio quality.
- *Introduce housing finance.* Microfinance and housing finance are related by the shared objective of providing access to marginalized groups. Also, since many microenterprises are home-based, microenterprise loans often contribute to home improvements or house construction that also benefit the business. Because of the

potential for mutually reinforcing product and service design, it will be beneficial to examine the prospects for providing housing loans using microfinance technologies.

- *Expand the use of new technologies.* New technologies have already begun to reach rural areas with a wide range of services. Mobile phone banking enables rural banks to service clients in more remote areas, improve efficiency, and reduce the risks associated with the collection and transfer of money in the field. While the potential for these innovations appears limitless, employing new technologies involves breaking new ground — engaging new users, supporting back-office administration, and adjusting the policy and regulatory framework to accommodate the use of technology. Facilitating linkages between policy and regulatory bodies, private technology companies, and the banking community will be critical to sustaining the momentum.
- *Establish a credit bureau.* As more and more institutions engage in microfinance, the need for a comprehensive, accessible, and credible credit bureau has become clear. MABS' exploratory efforts to establish a credit information system that included rural and cooperative banks encountered legal and policy barriers. The first step toward establishing a credit bureau is to clarify the legal environment and mandate of the concerned policy-making and enforcing agencies. Technical assistance and an informed public-private dialogue will be essential steps toward creating, supporting, and strengthening a comprehensive credit bureau.

For more information on the MABS program, contact:

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E-mail/Web: info@rbap.org, www.rbap.org

MABS service providers:

Associated Resources for Management and Development Inc.
1-C Masunurin St. cor. Anonas Extension
Quezon City, Philippines
Tel. (0632) 924.4821
Fax (0632) 929.4535
E-mail: armdevin@info.com.ph

Punla sa Tao Foundation
3F, Vega Center, College
Los Baños, Laguna, Philippines
Tel./Fax (06049) 536.6794
E-mail: punlasatao@pltdsl.net

ANNEX A: MABS PARTICIPATING BANKS ⁺

Date Enrolled	Name of Bank	Head Office Location	Branches
Pilot Banks, 1998	Rural Bank of Digos	Digos City, Davao Oriental	5
	Rural Bank of Sto. Tomas	Sto. Tomas, Davao del Norte	3
	Sarangani Rural Bank	Gen. Santos City	1
	Tagum Rural Bank *	Tagum City, Davao del Norte	1
1st Rollout, 1999	Bukidnon Cooperative Bank	Malaybalay, Bukidnon	5
	Cantilan Bank	Cantilan, Surigao del Sur	11
	Cooperative Bank of Misamis Oriental	Cagayan de oro City	6
	Enterprise Rural Bank *	Iligan City	5
	1st Valley Bank	Baroy, Lanao del Norte	15
	Rural Bank of Talisayan	Talisayan, Misamis Oriental	3
	Network Bank *	Davao City	10
	Rural Bank of Lebak	Lebak, Sultan Kudarat	1
	Panabo Rural Bank *	Panabo, Davao Oriental	1
Rural Bank of Montevista	Montevista, Compostela Valley	11	
2nd Rollout, 2000	Rural Bank of Dipolog	Dipolog City, Zamboanga del Norte	3
	Green Bank	Butuan City, Agusan del Norte	41
	Rural Bank of Oroquieta	Oroquieta, Misamis Occidental	1
	Siam Bank	Iligan City, Lanao del Norte	6
	Century Rural Bank	Babak, Island Garden City of Samal	3
	Rural Bank of Tacurong	Tacurong, Sultan Kudarat	5
3rd Rollout, 2001	Rural Bank of Bogo	Bogo, Cebu City	2
	Rural Bank of Dulag	Dulag, Leyte	5
	New Rural Bank of Victorias	Victorias, Negros Occidental	5
	First Isabela Cooperative Bank	Cauayan, Isabela	8
	Bank of Florida *	Floridablanca Pampanga	5
	Bangko Kabayan	Ibaan, Batangas	9
	First Macro Bank	Dasmariñas, Cavite	9
Rang-ay Bank	Laoag City, Ilocos Sur	3	
4th Rollout, 2002	Rural Bank of Isulan *	Isulan, Sultan Kudarat	1
	Maranao Rural Bank *	Marawi City, Lanao del Sur	1
	Rural Bank of Datu Paglas	Datu Paglas, Sultan Kudarat	1
	Rural Bank of Malabang	Malabang, Sultan Kudarat	1
	Rural Bank of Cotabato	Cotabato City	1
5th Rollout, 2002	Bangko Mabuhay	Naic, Cavite	4
	Country Bank	Bongabong, Oriental Mindoro	4
	Banco Santiago de Libon	Libon, Albay	6
	Rural Bank of Mabitac	Mabitac, Laguna	8
	Rural Bank of Pagbilao	Pagbilao, Quezon	4
6th Rollout, 2003	Rural Bank of Labrador *	Labrador, Pangasinan	1
	Rural Bank of Mabalacat	Mabalacat, Pampanga	1

* No longer participating

+ As of December 2007

Date Enrolled	Name of Bank	Head Office Location	Branches
MSP-Trained Banks, Batch 2004	Rural Bank of Abucay	Abucay, Bataan	2
	Rural Bank of Guinobatan	Guinobatan, Albay	3
	Rural Bank of Capalonga	Capalonga, Camarines Norte	1
	Sunrise Bank	Rosario, Batangas	1
	Bangko Luzon	Cabanatuan, Nueva Ecija	6
	Rural Bank of Cainta	Cainta, Rizal	6
	Rural Bank of Goa	Goa, Camarines Sur	2
MSP-trained Banks, Batch 2004 (Cont'd)	Rural Bank of Solano	Solano, Isabela	1
	Rural Bank of Jose Panganiban	Jose Panganiban Camarines Norte	1
	CARD Bank	San Pablo City, Laguna	2
	Rural Bank of Sipocot	Sipocot, Camarines Sur	1
	First United Farmers Rural Bank	San Pablo City, Laguna	1
	GM Bank	Cabanatuan, Nueva Ecija	12
	G7 Bank	Naga City, Camarines Sur	5
	Rural Bank of Ormoc	Ormoc City, Leyte	1
	Rural Bank of Pinamungajan	Pinamungajan, Cebu	1
	Valiant Rural Bank	Iloilo City	2
	Rural Bank of San Enrique	Iloilo City	4
	Rural Bank of Loon	Loon, Bohol	1
	Siargao Bank	Siargao, Surigao del Sur	3
	Rural Bank of Placer	Placer, Surigao del Norte	3
	Rural Bank of Catalina	Santa Catalina, Negros Oriental	1
	Rural Bank of Malinao *	Malinao, Aklan	1
	Rural Bank of Pililia *	Pililia, Rizal	2
Rural Bank of Bagabag *	Bagabag, Nueva Vizcaya	1	
Sugbuanon Rural Bank *	Minglanila, Cebu	1	
MSP-trained Banks, Batch 2005	Rural Bank of San Jacinto	San Jacinto, Masbate	1
	Rural Bank of Makiling	Santo Tomas, Batangas	1
	Limcoma Rural Bank	San Jose, Batangas	4
	Rural Bank of Camalig	Camalig, Albay	1
	Rural Bank of Bagac	Balanga, Bataan	2
	Rural Bank of San Antonio	Calaca, Batangas	1
	Philippine Rural Bank	Cauayan, Isabela	24
	Rural Bank of Gattaran	Gattaran, Cagayan Valley	3
	Agri-Business Bank	Bambang, Nueva Vizcaya	6
	Gateway Rural Bank	Balagtas, Bulacan	1
	Rural Bank of Pilar	Pilar, Sorsogon	1
	First Agro-Industrial Bank	Bogo, Cebu City	5
	Rural Bank of Katipunan	Katipunan, Zamboanga del Norte	1
	Salug Valley Rural Bank	Molave, Zamboanga del Sur	1
MSP-trained Banks, Batch 2006	Mallig Plains Rural Bank	Mallig, Isabela	15
	Rural Bank of Labason	Labason, Zamboanga del Norte	2
	First Community Bank	Bacolod, Negros Occidental	1
	Progressive Bank	Balasan, Iloilo	1

* No longer participating

Date Enrolled	Name of Bank	Head Office Location	Branches
MSP-trained Banks, Batch 2007	Rural Bank of San Vicente	San Vicente, Camarines Norte	1
	Filipino Savers Bank	Quezon City	1
	Rural Bank of Tiaong	Tiaong, Quezon	1
	Asian Hills	Malaybalay, Bukidnon	1
	Rural Bank of Liloy	Liloy, Zamboanga del Norte	1
	Rural Bank of Tandag	Tandag, Surigao del Sur	1
Total Participating Bank Units			358

* No longer participating

ANNEX B: RB2000 SERVICE PROVIDERS

ASECSOft
3rd Floor, Park Avenue Mansion
Pasay City
Tel: (02) 8347122

ISSEC-IT
#50 Driod Street, Cubao
Quezon City
Tel: (02) 7271014

ANNEX C: MABS LEARNING CENTERS

First Isabela Cooperative (FICO) Bank
Corporate Office, National Hi-way, Minanante I
3305 Cauayan City, Isabela
Tel: (078) 3072675, 8971503 — Fax: (078) 6345390, 3073364
E-mail: ficobank@rbap.org, fico_bank@yahoo.com

Bangko Mabuhay
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4108 Tanza, Cavite
Tel: (046) 4377113, 4377114, 4377851 — Fax: (046) 4377851
E-mail: bmabuhay@rbap.org

Rural Bank of Mabitac
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Tel: (049) 8160188, 8160278 — Fax: (049) 8160188
E-mail: cecille_rbmabitac@rbap.org, rbmabitac@yahoo.com

Banco Santiago de Libon
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4507 Libon, Albay
Tel: (052) 4866064 — Fax: (052) 4866064, 4856339
E-mail: bsdlibon@yahoo.com, santiagodelibon@rbap.org

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Orozco St., Magsilom
8317 Cantilan, Surigao del Sur
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Green Bank
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ANNEX D: LINKS

Microenterprise Access to Banking Services	www.rbapmabs.org
USAID-Philippines	http://philippines.usaid.gov
Rural Bankers Association of the Philippines	www.rbap.org
Mindanao Economic Development Council	www.medco.gov.ph
Mobile Phone Banking for Clients of Rural Banks	www.mobilephonebanking.rbap.org
MABS Distance Learning Site	www.moodle.rbapmabs.org

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